

STARK STATEMENT ON SPECIALTY HOSPITALS

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WASHINGTON, DC -- Today, Rep. Pete Stark (D-CA) made the following opening statement before a hearing of the Ways and Means Health Subcommittee on specialty hospitals:

“Madame Chair, thank you for holding this hearing. This is an important topic. The growth of specialty hospitals has the potential to dramatically alter the structure of our health care system. These facilities are pulling profit centers out of community hospitals, which, over time, could cause many community hospitals to close down and leave people without needed services. If left unchecked, this growth could force us to levy new taxes or create other financing mechanisms to maintain access to expensive, but necessary, services that are not profitable.

“While there aren’t many of them now, the financial incentives in our existing system are clearly motivating profit-driven corporations and physicians to team up to create heart hospitals, orthopedic hospitals and surgery hospitals. The moratorium passed as part of the Medicare Modernization Act has temporarily stalled the proliferation of specialty hospitals while we study the problem, but that moratorium is scheduled to expire only three months from today. We don’t have much time to act. Industry publications indicate there could be up to 100 institutions waiting to pounce when the moratorium expires. If that happens, we will be unable to put the genie back in the bottle.

“Specialty hospitals generate great returns for their investors – the very doctors who refer their patients to these places for care. But, are they good for patients? And, are they good for our health care system as a whole? These are the questions we need to ask.

“We enacted the physician self-referral laws because of overwhelming evidence that health care providers who personally profit from referrals will increase the number of such referrals.

“When those laws were enacted, physician-owned specialty hospitals did not exist. We included a whole hospital exception in the law because hospitals were broad-based entities in which it would be hard to prove that ownership caused inappropriate referral patterns. But, we explicitly prohibited ownership in a subdivision of a hospital – let’s say a cardiac wing – because it would cause just such a conflict. I agree with those who say that today’s

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physician-owned specialty hospitals are really nothing more than free-standing subdivisions of a hospital.

“On that note, I’d like to go on record in support of the petition by the Federation of American Hospitals urging HHS to update their regulations to make clear that these physician-owned specialty hospitals do not meet the whole hospital exception.

“Today we’ll hear from MEDPAC about their recommendations. I think their proposal to readjust our hospital payment system to eliminate many of the obvious financial incentives that encourage these specialty hospitals makes good sense. I still believe that realigning the payment system won’t be enough to solve the inherent problem of self-interest, but it is a positive change and one we should proceed with.

“MEDPAC has also recommended an extension of the moratorium that was enacted as part of the Medicare Modernization Act. At a minimum, it is vital that we extend this moratorium until we have a legislative solution to the very real problems posed by physician-owned specialty hospitals.

“Finally, I’d like to note that we really have a wide breadth of groups in agreement that something should be done to curb the growth of these physician-owned specialty hospitals. I would point you to page 145 of the President’s budget where it states that, “The Administration will seek to refine the inpatient hospital payment system and related provisions of regulations to ensure a more level playing field between specialty and non-specialty hospitals.” If Pete Stark, Chip Kahn, and President Bush can all agree that something needs to be done here, I think we should be able to create a policy that Congress can pass -- and pass soon. I look forward to hearing from the witnesses before us today.”